

On the Frontier of International Markets

Key Reasons for Malta's Success

Tougher regulation, higher capital requirements and lower interest rates – the financial crisis has reshaped the banking sector. Costs are now key to growth and today's banks need to generate revenue in new ways, while raising capital and reducing risk have become the new priorities. In this climate, Malta offers credit and financial institutions new avenues for growth.

A Sound Sector with Prudent Banking Principles

Malta's banking sector is one of the strongest and healthiest in Europe and indeed in the world. It is rated as the 13th soundest banking system by the World Economic Forum's Competitiveness Index 2012-2013 (out of 142 countries). Analysts point to the sector's continued robustness during the financial crisis of 2008-2010 as being a key indicator for the future performance of the industry. The country's banking industry suffered no systemic shocks or banking failures. This is partly due to the fact that Malta has a deep-rooted conservative approach to banking. Bank funding in Malta depends on retail deposits, not wholesale borrowing and has over the years stuck to the conventional banking approach, based on old-fashioned intermediation between retail depositors and borrowers. The banks maintain substantial liquidity, adequate capital and prudent lending policies. In fact, Bank of Valletta and the parent banks of domestic subsidiaries – such as HSBC – always successfully passed the EU-wide stress test in the past years.

A Robust Regulatory Environment

In the face of the recent turmoil such as the credit crunch or the European debt crisis it becomes apparent that the true value of Malta's finance sector lies in sound policies and a robust regulatory regime that supports the strong banking sector. With the advent of the Single European Payments Area (SEPA), that removes the distinction between local and cross-border payments, institutions which are willing to fully exploit the opportunities of the Single European Market and Malta's strategic location at the heart of the Mediterranean, can gain significant benefit by locating to Malta.

Innovative Financial Infrastructures

Malta is considered one of the EU front runners in terms of IT adoption and sophistication and provides a very favourable regulatory framework for e-Money and payment institutions. The Banking Act gives licensed banks the scope to offer electronic banking under their banking licence. Stand-alone electronic money institutions are regulated by the Financial Institutions Act. The Act has been updated as a result of the EU directive on electronic money institutions which was transposed into Maltese legislation in 2011. The same applies to payment institutions. They are regulated by the provisions of the Financial Institutions Act, which essentially transposes into Maltese law the European Payment Services Directive. Malta's professionals believe that there is strong potential to attract more eCommerce payment business and payment factory operations for trans-national corporations.

Springboard to New Markets

Malta's strategic location at the centre of the Mediterranean, in close proximity to continental Europe and North Africa, allows credit and financial institutions to penetrate new markets. Institutions setting up in Malta can benefit from EU passporting rules, while Malta's wide network of tax treaties facilitates access to around 60 countries worldwide.

Steady Demand for Banking Services

The continued expansion of other international services offered from Malta provides the banking sector in Malta with a number of growth opportunities. With thousands of holding and trading companies established in Malta, the demand for banking services is high. The country is also home to the largest international ship registry in Europe. The funds industry consists of more than 550 investment funds today, and the insurance sector, which has seen Malta becoming one of Europe's primary international insurance domiciles, has doubled in size over the past three years, with €2.2 billion in premiums in 2011, mainly generated through increased international and captive insurance business.

International eBusiness Centre

Due to substantial investments in IT and telecoms infrastructure in past years, Malta is now one of the best locations for eCommerce and eGaming activities. This has already attracted a number of payment institutions to the country, which have either established operations in Malta or passport from other member states. In addition, the country's licence for e-money institutions offers the opportunity to start operations with a lower capital requirement compared to a full banking licence.

Difference between banking institutions operating in Malta	Allowed to take deposits
Credit Institutions	Yes
Financial Institutions	No
E-Money Institutions	No
Payment Institutions	No